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Sometimes they have been given a choice of activities. The Spanish, for example, wanted them as peasant agriculturists but tolerated them as traders. Similarly, in Indochina the French wanted them for opening up uncultivated lands, but, since the 'Red Lands' suitable for the cultivation of rubber and other profitable raw materials were barred to all aliens, the Chinese (although he might have been a peasant at home) refused the hard toil of the fields if he could obtain a position with a Chinese firm. In Java the Dutch found the Chinese useful as middlemen, and middlemen they became, accepting the penalty of the resentment of the Javanese that such a function entailed. The farming of the revenue was allotted to them as the highest bidders by the Spanish, the Dutch, and the British alike. Such occupations are labelled 'parasitic', but it must be remembered that they were the best methods of obtaining revenue available before the Governments felt themselves able to collect it for themselves. When they could do so, the farms were abolished. Also, it should be remembered, it was from the Chinese themselves that most of the revenue of the farms was collected. If we accept Mr Furnivall's epithet of 'parasitic' we must extend it to cover the British, Dutch, and French Governments also.

Given a large and improvident peasantry, as existed in Siam, Indonesia, Indochina, and the Philippines, there was a demand for credit with uncertain security or none at all. This credit was most naturally extended by the traders to whom they sold their produce, and it was most conveniently given in the form of goods and paid for in produce at the time of the harvest. Certainly this gave great power to the Chinese trader; the question is whether he abused it. A survey in Siam by Mr James M. Andrews (see p. 164) does not bear out the widespread belief that the Chinese are unconscionable usurers. 'The Thai farmer [says Mr Andrews], and especially his wife, is much more given to money-lending with the hope of high profits than the Chinese.' As regards alleged profiteering in the rice trade, the College of Agriculture at Los Baños in the Philippines (see p. 635) conducted a survey and found that 'the Chinese merchants are performing essential marketing services at a fairly low cost'. In Indonesia it is notorious that many Indonesian Hajis and Arabs are far greedier money-lenders than are the Chinese. In Malaya it is the chetty and the Sikh who are the money-lenders; not the Chinese. Cases in which Chinese

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figured as lenders were practically unknown.[1] The charge of 'unconscionable usury and profiteering' is, in the writer's opinion, not proved.

Professor Raymond Firth has gone into the question of Chinese middlemen in the Malayan fishing industry with considerable care. He says that in this role the Chinese performs important functions. He shoulders a great part of the market risks; he supplies considerable capital, in a liquid form, in consumer's goods, or in producer's goods; and he saves the fishermen much trouble in seeking buyers. On the other hand the same observer adds:

> The system obviously has great dangers. It gives him a monopoly, with little prospect of the fishermen reaping the advantages of the rising market, or of even getting much more than bare subsistence earnings, and it tends very often to place them firmly in his debt, with little chance of extricating themselves and building up their own capital.

Among the Malay fishermen this relationship with the Chinese is variously viewed. One group told Professor Firth that they liked it 'because they can get hold of cash easily'. In several other places, however, the fishermen complained of the low prices they received from the Chinese to whom they were bound to sell. Up to 1939 the attempt of the administration to meet the situation by encouraging co-operative Malay associations for fish-marketing had had only a moderate success.[2]

It should be added that the provision of credit on reasonable terms for productive enterprise is finally the responsibility of the Governments. Much progress has been made in some Southeast Asian countries in the establishment of landbanks, co-operative societies, &c., in the last half-century, but these advanced money only for 'productive' purposes, and in Indonesia the people have still to go to money-lenders to obtain money for wedding, funeral,

[1] A London solicitor who was for many years in Malaya, where he had a large practice, remarked to the writer on 10 February 1949, 'I have never known a money-lending Chinese.' Nor can the writer himself, who had considerable experience as a magistrate and as official assignee and liquidator of companies, recollect any such case.

The writer, on the other hand, has known Britons (of presumed respectability) lending money to Indian chetties at a minimum of 12–15 per cent., who in turn lent it to Malays, Chinese, and others at a rate of interest that can only be guessed!

[2] *Malay Fishermen: Their Peasant Economy*, pp. 14, 61.

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and other expenditure demanded by custom. Moreover, the money-lenders are willing to advance money without the security demanded by landbanks and co-operative societies.

In the matter of trade monopoly it is true that in Siam, Indo-china, Indonesia, and the Philippines the Chinese have a virtual monopoly of the rice distribution and milling trades. The Govern-ments of these countries have, to meet the popular agitation, passed legislation to restrict the Chinese share in this trade. The fact that the Chinese maintains his position in face of all this legislation and in face of competition, fair or unfair, is simply because he is so much more competent in the business. Florence Horn (see p. 634) points out that the Filipino politician who charged the Chinese with having half the retail business in their hands changed his ground completely when the reply was made that all the Filipino had to do was to open up a *tienda* on his own and put the Chinese out of business. He then said that the Chinese standard of living was deplorably low, he eats almost nothing and works day and night; therefore he subjects the Filipino to unfair com-petition! At the same time it must be admitted that the Chinese, having obtained virtual control of some trades, do their best to keep them in their hands and usually employ only their own countrymen. This is naturally galling to the native looking for an opening, but there is a sound business reason for it. They employ their own people because they are, on the whole, better at the job. No European merchant would maintain that a firm should be compelled to employ persons of inferior business capacity, thus exposing the firm to the danger of bankruptcy.

If the Governments of Southeast Asia wish to secure a greater share of the trade of their country for their nationals, they are entitled to legislate accordingly—provided, of course, that the law does not operate harshly or unjustly by depriving an alien of one source of livelihood before he has had a chance of acquiring another. (The economic effect on a country of discriminating against aliens who discharge some useful function is another matter.)

In *Fanny's First Play* Bernard Shaw pokes fun at the critics who will not give an opinion as to the merits of the play until they know 'Who wrote it?' The inference is that such a question is an irrelevance, and that the play should be judged on its own merits. But while we have, so far, attempted to consider the ch[illegible]

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democracy corresponding to the *vergadering* of Java. In Burma the village has become merely an administrative unit, whereas in Java the village still appears to be mainly a social unit. And it would hardly be possible to find a more striking contrast than between the Village Act of Java, designed as an instrument of social uplift, and the Village Act of Burma, designed as an instrument of law and order and 'vigorously enforced' by fines on villages, villagers and headmen. Government schemes in Java, we are told, 'risk failure if they appeal to the individual economic instincts and have a fair chance of being comprehended and accepted, if they are based on a foundation of organic co-operation'.[1]

Indebtedness. Both in Burma and Java agricultural indebtedness has accompanied, and has indeed been a condition of, economic progress. It was through giving out advances that the planter in Java secured his land and labour, and that the miller in Burma made certain of getting an adequate supply of paddy at the lowest possible rate. The Dutch, with their State pawnshops and People's Banks, have done more than has been attempted in Burma to provide credit on sound lines, but they have by no means solved the problem of indebtedness; alongside the state institutions the private moneylender still flourishes. But the application of native customary law to land, and the prohibition against the alienation of land to foreigners have obviated the most pernicious social and political consequences of agricultural indebtedness, and it is not in the same measure as in Burma a cause of agricultural distress and political ill-will.

Litigation and Crime. Until quite recently litigation was as unusual in Burma as it still is in Java. But in Burma the people have been encouraged to settle their disputes by the processes of western law; whereas in Java, customary law and the practice of arbitration and the settlement of disputes by reasonable compromise have survived.

An even greater contrast is presented in respect of crime. In Java the death sentence is almost unknown; for the five years from 1935 to 1939, with a population for the whole of Netherlands India of nearly 70 million, only three persons were sentenced to death; in Burma, with a fifth of the population, the death sentence is passed on some two hundred a year and upwards of a hundred a year are hanged. It is difficult to compare sentences of imprisonment, but the position in Java is very different from that in Burma where, for some thirty years, the accommodation for convicts has failed to keep pace with

[1] Hart, p. 65.

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Where development by western enterprise is the prime object 423 426

of colonial policy, land alienation need present no problem, except as regards the lands actually taken up for western enterprise, and even debt may not be serious. Thus, in large parts of Africa, 'so far conditions have not favoured the growth of moneylending; the general restrictions imposed on the sale of native land to non-natives, as well as the limitations which some territories have placed on the giving of credit to natives by non-natives have militated against it'.[1] It is sometimes suggested in British publications that there is little indebtedness in Netherlands India. But that is a mistake. The Dutch have protected the native against the worst result of debt, the loss of land, but not against incurring debt. In the development of British India and Burma by native enterprise the merchant gave out advances to secure produce; in Java the planter gave advances to secure labour. The actual moneylender is usually a middleman, in the Tropical Far East mostly Indian or Chinese, who reaps some of the profit that would otherwise be divided between natives and Europeans, with a lion's share to the latter. In such circumstances exporters of produce have a common interest with cultivators. Moreover, as is conspicuously illustrated in Burma, the transfer of land to people whose sole interest is to exact the highest rent, tends to reduce the outturn. Thus everywhere in the Tropical Far East we find sympathy for the cultivators in the clutches of middlemen: in Indo-China 'the chetty is a plague', in the Dutch Indies 'the foreign asiatic is worse than ten epidemics', in Burma the wiles of both *chettyars* and Chinese were denounced so far back as the early eighties. Both practical and humanitarian considerations demand a solution for the problem of indebtedness.

The favourite remedy for debt is the encouragement of co-operative credit societies. But this is no cure for debt, and it may quite possibly aggravate the disease which is the chief cause of debt, the disintegration of society by economic forces. It is no cure for debt, because the success of co-operative credit requires a genuine acceptance of co-operative principles, and this is a slow process, while debt increases daily. It tends to aggravate disintegration, because the principles on which it rests are contrary to those which form the basis of native social life and, indeed, of social life in general. The suggestion that co-operative credit accords with native ideas as being communal in character is mistaken.[2] The village community embraces all the inhabitants of the village in a common bond for all the purposes

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[1] *African Survey*, p. 872. [2] *Ib.* p. 1482.

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452 474 of social life; the co-operative credit society includes only selected individuals who unite for specific economic ends. If a whole village were transformed into a co-operative credit society, it would at the same time be transformed from a village into a business concern. The spread of co-operative principles is much to be desired; it would encourage thrift and train the people in modern business methods, and mark a forward step towards the reintegration of native economy, the economic aspect of their social life. But, unless the limitations of the co-operative movement are appreciated, it is apt to be perverted from an instrument of native welfare into an instrument of economic progress. Ordinarily cultivators can borrow at a lower rate from a co-operative credit society than from a middleman. This should reduce the cost of production of native crops, and increase the margin between cost and yield. But competition in the market transfers the profit from the cultivators to the firms engaged in the export of tropical produce. Co-operative societies provide an attractive investment for banks and private individuals. The elimination of the middleman removes a possible competitor to western firms, and has political reactions by hindering the growth of a politically conscious middle class. In practice the multiplication of co-operative credit machinery usually outruns the spread of co-operative principles, and the co-operative credit service, established in the cause of native welfare, serves chiefly to promote the interests of western enterprise. This is the natural outcome of confounding two distinct problems: the social problem of training the people in modern business methods, and the economic problem of providing a remedy for agricultural debt.

452 474 453 In Netherlands India this distinction has been recognized, though by accident rather than design. One aspect of the Ethical movement was an attempt to foster co-operative credit. This made slow progress. The remedy for debt is to provide the cultivator with as much credit as he requires, and no more than he requires, at the lowest rate that economic conditions allow. The co-operative movement failed to solve this economic problem because the people, though quick to borrow money, were slow to accept new ideas. The Government held the view that the chief need of the cultivators was sound credit, and the co-operative societies were accordingly transformed into State banks of various types. This has been justified on the ground that if the economic problem can be solved, it will then be possible to foster co-operative credit as a social institution. Of recent years, therefore, co-operative societies have been established

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in addition to the State banks. How far the State banks have been successful in solving the economic problem is a matter of debate. The successful working of such banks demands a restriction on private credit. In Netherlands India this is provided in some measure by the application of native customary law to native lands, which prevents their alienation for debt to foreign moneylenders. But apparently the banks, nominally for agriculturists, find most of their clients among townsfolk; and some critics allege that the people borrow as much from private moneylenders as before, in addition to what is borrowed from the banks. It would appear then that the restrictions on private moneylending in Netherlands India are inadequate, but the banks do at least provide facilities for individuals to obtain credit on sound lines.

The State pawnshops in Netherlands India provide similar facilities for individuals, mainly townsfolk, to obtain temporary accommodation on a small scale. These also were an outcome of the Ethical movement, originating with the same man who started the early co-operative credit movement. Formerly the pawnshops were in the hands of the Chinese, who managed them merely with a view to profit. The pawnbrokers were cunning in sharp practice; the terms for loans were exorbitant, and the arrangements for the safe custody of pledges were unsatisfactory, while the shops were widely believed to be used as opium dens. All this has been changed, and the shops are not only a public benefit but yield a handsome revenue.

Both State banks and pawnshops illustrate the fact that the promotion of welfare does not necessitate the introduction of foreign capital. In fact they require practically no capital as, by beginning on a small scale, they can provide the capital for further development. All they require is a knowledge of the people and their economic situation, the will to promote their welfare and, above all, patience. They differ from co-operative credit societies mainly in three points. They appeal merely to economic motives, common to all men, whereas the co-operative movement urges social ideals easier to preach than to practise. They meet the requirements of individuals as such, whereas co-operative societies only meet the individual requirements of those who are willing to combine for common action. And in meeting individual requirements they fulfil their purpose, whereas the co-operative movement requires common *social* action for common *economic* ends which are prejudicial to common social life and thereby hinder common social action. Credit institutions, like public works,